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Form **990-T**

Exempt Organization Business Income Tax Return

(and proxy tax under section 6033(e))

For calendar year 2011 or other tax year beginning **07/01/11**, and ending **06/30/12** See separate instructions.

OMB No 1545-0687

2011

Open to Public Inspection for 501(c)(3) Organizations Only

Department of the Treasury Internal Revenue Service

A Check box if address changed

B Exempt under section **X** 501(c)(3) 408(e) 220(e) 408A 530(a) 529(a)

Name of organization (Check box if name changed and see instructions) **THE ARC OF OREGON**

Number, street, and room or suite no. If a P.O. box, see instructions **1745 STATE STREET**

City or town, state, and ZIP code **SALEM OR 97301**

D Employer identification number (Employees' trust, see instructions) **93-0504507**

E Unrelated business activity codes (See instructions) **713200 531190**

C Book value of all assets at end of year **2,883,221**

F Group exemption number (See instructions) ▶

G Check organization type ▶ 501(c) corporation 501(c) trust 401(a) trust Other trust

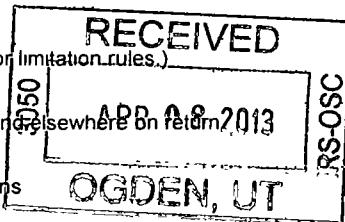
H Describe the organization's primary unrelated business activity ▶ **SEE STATEMENT 1**

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? ▶ Yes No
If "Yes," enter the name and identifying number of the parent corporation.

J The books are in care of ▶ **MARCIE INGLEDUE** Telephone number ▶ **503-581-2726**

Part I Unrelated Trade or Business Income		(A) Income	(B) Expenses	(C) Net
1a	Gross receipts or sales			
b	Less returns and allowances			
c Balance ▶		1c		
2	Cost of goods sold (Schedule A, line 7)	2		
3	Gross profit Subtract line 2 from line 1c	3		
4a	Capital gain net income (attach Schedule D)	4a		
b	Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	4b		
c	Capital loss deduction for trusts	4c		
5	Income (loss) from partnerships and S corporations (attach statement)	5		
6	Rent income (Schedule C)	6		
7	Unrelated debt-financed income (Schedule E)	7	36,923	29,028
8	Interest, annuities, royalties, and rents from controlled organizations (Schedule F)	8		
9	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9		
10	Exploited exempt activity income (Schedule I)	10	109,674	104,846
11	Advertising income (Schedule J)	11		
12	Other income (See instructions, attach schedule)	12		
13	Total. Combine lines 3 through 12	13	146,597	133,874

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions) (Except for contributions, deductions must be directly connected with the unrelated business income)			
14	Compensation of officers, directors, and trustees (Schedule K)	14	
	Salaries and wages	15	
	Repairs and maintenance	16	
	Bad debts	17	
	Interest (attach schedule)	18	
	Taxes and licenses	19	
20	Charitable contributions (See instructions for limitation rules.)	20	
21	Depreciation (attach Form 4562)	21	5,578
22	Less depreciation claimed on Schedule A and elsewhere on return	22a	5,578
23	Depletion	23	
24	Contributions to deferred compensation plans	24	
25	Employee benefit programs	25	
26	Excess exempt expenses (Schedule I)	26	
27	Excess readership costs (Schedule J)	27	
28	Other deductions (attach schedule)	28	
29	Total deductions. Add lines 14 through 28	29	
30	Unrelated business taxable income before net operating loss deduction Subtract line 29 from line 13	30	12,723
31	Net operating loss deduction (limited to the amount on line 30)	31	
32	Unrelated business taxable income before specific deduction Subtract line 31 from line 30	32	12,723
33	Specific deduction (Generally \$1,000, but see line 33 instructions for exceptions)	33	1,000
34	Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32.	34	11,723



SEARCHED
 APR 29 2013
 INDEXED

Part III Tax Computation

35 Organizations Taxable as Corporations. See instructions for tax computation. Controlled group members (sections 1561 and 1563) check here See instructions and:

a Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order)
 (1) \$ _____ (2) \$ _____ (3) \$ _____

b Enter organization's share of (1) Additional 5% tax (not more than \$11,750) \$ _____
 (2) Additional 3% tax (not more than \$100,000) \$ _____

c Income tax on the amount on line 34 **35c** **1,758**

36 Trusts Taxable at Trust Rates. See instructions for tax computation. Income tax on the amount on line 34 from Tax rate schedule or Schedule D (Form 1041) **36**

37 Proxy tax. See instructions **37**

38 Alternative minimum tax **38**

39 Total. Add lines 37 and 38 to line 35c or 36, whichever applies **39** **1,758**

Part IV Tax and Payments

40a Foreign tax credit (corporations attach Form 1118, trusts attach Form 1116) **40a**

b Other credits (see instructions) **40b**

c General business credit. Attach Form 3800 (see instructions) **40c**

d Credit for prior year minimum tax (attach Form 8801 or 8827) **40d**

e Total credits. Add lines 40a through 40d **40e**

41 Subtract line 40e from line 39 **41** **1,758**

42 Other taxes. Check if from Form 4255 Form 8611 Form 8697 Form 8866 Other **42**

43 Total tax. Add lines 41 and 42 **43** **1,758**

44a Payments. A 2010 overpayment credited to 2011 **44a**

b 2011 estimated tax payments **44b**

c Tax deposited with Form 8868 **44c**

d Foreign organizations. Tax paid or withheld at source (see instructions) **44d**

e Backup withholding (see instructions) **44e**

f Credit for small employer health insurance premiums (Attach Form 8941) **44f**

g Other credits and payments Form 2439 _____ Form 4136 _____ Other _____ Total **44g**

45 Total payments. Add lines 44a through 44g **45**

46 Estimated tax penalty (see instructions). Check if Form 2220 is attached **46** **41**

47 Tax due. If line 45 is less than the total of lines 43 and 46, enter amount owed **47** **1,799**

48 Overpayment. If line 45 is larger than the total of lines 43 and 46, enter amount overpaid **48**

49 Enter the amount of line 48 you want. Credited to 2012 estimated tax Refunded **49**

Part V Statements Regarding Certain Activities and Other Information (see instructions)

1 At any time during the 2011 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If YES, enter the name of the foreign country here **Yes** **No**

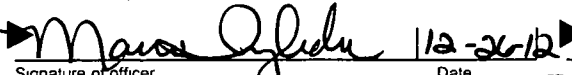
2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see instructions for other forms the organization may have to file **Yes** **No**

3 Enter the amount of tax-exempt interest received or accrued during the tax year **\$**

Schedule A - Cost of Goods Sold. Enter method of inventory valuation

1 Inventory at beginning of year	1	6 Inventory at end of year	6
2 Purchases	2	7 Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2	7
3 Cost of labor	3	8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?	Yes No
4a Additional sec. 263A costs (attach sch.)	4a		
b Other costs (attach schedule)	4b		
5 Total. Add lines 1 through 4b	5		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.


Sign Here  **12-26-12** **EXECUTIVE DIRECTOR**

Signature of officer Date Title

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer Use Only

Print/Type preparer's name **HUBERT B. ERWIN** Date **12/21/12** Check if self-employed PTIN **P00194667**

Preparer's signature 

Firm's name **HUBERT B. ERWIN, CPA** Firm's EIN **503-399-1778**

Firm's address **1845 FAIRGROUNDS RD NE SALEM, OR 97301-7132** Phone no **503-399-1778**

Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property)

(see instructions)

1 Description of property

(1) N/A

(2)
(3)
(4)

2. Rent received or accrued

(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)

(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)

3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)

(1)
(2)
(3)
(4)
Total

Total

(b) Total deductions.

Enter here and on page 1, Part I, line 6, column (B)

(c) Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A)

Schedule E - Unrelated Debt-Financed Income (see instructions)

1. Description of debt-financed property

2. Gross income from or allocable to debt-financed property

3 Deductions directly connected with or allocable to debt-financed property

STMT 2 (a) Straight line depreciation (attach schedule)

STMT 3 (b) Other deductions (attach schedule)

(1) 25% OF BINGO HALL

53,800

4,048

38,248

(2)
(3)
(4)

4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)

5 Average adjusted basis of or allocable to debt-financed property (attach schedule)

6 Column 4 divided by column 5

7 Gross income reportable (column 2 x column 6)

8 Allocable deductions (column 6 x total of columns 3(a) and 3(b))

(1) 1,160,903

1,691,487

68.63%

36,923

29,028

(2)
(3)
(4)

SEE STATEMENT 4 SEE STATEMENT 5

Enter here and on page 1, Part I, line 7, column (A)

Enter here and on page 1, Part I, line 7, column (B)

Totals

36,923

29,028

Total dividends-received deductions included in column 8

Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions)

1. Name of controlled organization

2. Employer identification number

Exempt Controlled Organizations

3. Net unrelated income (loss) (see instructions)

4 Total of specified payments made

5. Part of column 4 that is included in the controlling organization's gross inc

6 Deductions directly connected with income in column 5

(1) N/A

(2)
(3)
(4)

Nonexempt Controlled Organizations

7 Taxable Income

8 Net unrelated income (loss) (see instructions)

9. Total of specified payments made

10 Part of column 9 that is included in the controlling organization's gross income

11 Deductions directly connected with income in column 10

(1)
(2)
(3)
(4)

Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A)

Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B)

Totals

Schedule G – Investment Income of a Section 501(c)(7), (9), or (17) Organization (see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col 3 plus col 4)
(1) N/A				
(2)				
(3)				
(4)				
Totals	Enter here and on page 1, Part I, line 9, column (A)			Enter here and on page 1, Part I, line 9, column (B)

Schedule I – Exploited Exempt Activity Income, Other Than Advertising Income (see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3) If a gain, compute cols 5 through 7	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4)
(1) LOTTERY TICKET S	109,674	104,846	4,828			
(2)						
(3)						
(4)						
Totals	Enter here and on page 1, Part I, line 10, col (A) 109,674	Enter here and on page 1, Part I, line 10, col (B) 104,846				Enter here and on page 1, Part II, line 26

Schedule J – Advertising Income (see instructions)

Part I Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col 2 minus col 3) If a gain, compute cols 5 through 7	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4)
(1) N/A						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5))						

Part II Income From Periodicals Reported on a Separate Basis (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis)

(1) N/A						
(2)						
(3)						
(4)						
(5) Totals from Part I	Enter here and on page 1, Part I, line 11, col (A)	Enter here and on page 1, Part I, line 11, col (B)				Enter here and on page 1, Part II, line 27
Totals, Part II (lines 1-5)						

Schedule K – Compensation of Officers, Directors, and Trustees (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1) N/A			
(2)			
(3)			
(4)			
Total. Enter here and on page 1, Part II, line 14			

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

OMB No 1545-0172

2011

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

Attachment Sequence No **179**

Name(s) shown on return

THE ARC OF OREGON

Identifying number

93-0504507

Business or activity to which this form relates

INDIRECT DEPRECIATION

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I

1	Maximum amount (see instructions)	1	500,000
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000
4	Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2010 Form 4562	10	
11	Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12	Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2012 Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property) (See instructions)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	26,950

Part III MACRS Depreciation (Do not include listed property.) (See instructions)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2011	17	0
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

Section B--Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only-see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C--Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (See instructions.)

21	Listed property Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations--see instructions	22	26,950
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

For Paperwork Reduction Act Notice, see separate instructions.

Form **4562** (2011)

Federal Statements**Statement 1 - Form 990-T - Primary Unrelated Business Activity**DescriptionSALES OF STATE LOTTERY TICKETS AND RENTAL OF MORTGAGED
PROPERTY**Statement 2 - Form 990-T, Schedule E, Column 3a - Straight Line Depreciation**DescriptionDeduction25% OF BINGO HALL
DEPRECIATION

4,048

TOTAL

4,048**Statement 3 - Form 990-T, Schedule E, Column 3b - Other Deductions**DescriptionDeduction25% OF BINGO HALL
MANAGEMENT FEES

3,088

INTEREST

21,728

INSURANCE

1,352

CLEANING & MAINTENANCE

209

REPAIRS

5

TAXES

3,752

UTILITIES

8,114

TOTAL

38,248**Statement 4 - Form 990-T, Schedule E, Column 4 - Average Acquisition Debt**DescriptionDeduction

25% OF BINGO HALL

SUM OF DEBT OUTSTANDING AT FIRST OF EACH MONTH
DIVIDED BY TOTAL NUMBER OF MONTHS PROPERTY HELD

13,930,831

12

AVERAGE ACQUISITION DEBT

1,160,903

Federal Statements

Statement 5 - Form 990-T, Schedule E, Column 5 - Average Adjusted Basis

<u>Description</u>	<u>Deduction</u>
25% OF BINGO HALL	
ADJUSTED BASIS ON FIRST DAY PROPERTY WAS HELD	1,699,583
ADJUSTED BASIS ON LAST DAY PROPERTY WAS HELD	1,683,390
	<u>3,382,973</u>
DIVIDED BY 2	<u>2</u>
AVERAGE ADJUSTED BASIS	<u><u>1,691,487</u></u>